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IN SUPPORT OF BILLS 2 & 4; IN OPPOSITION TO BILL 3

Aloha Honolulu City Council Members:

I SUPPORT Bills 2 & 4 and OPPOSE Bill 3 (Relating to Real Property Taxes for Historic Residential Real Property).

Bills 2 & 4 propose substantial reforms to the current property tax exemption for historic homes. Bill 3 desperately tries to maintain the status quo by removing all reasonable requirements for the owners of historic homes.

Last week, RPAD admitted to the Honolulu Star-Advertiser that 117 historic homes are in violation of the rules regarding signage and/or reasonable visual access. These 117 property owners are receiving the most generous tax break available and yet they have not bothered to comply with even the simplest requirements.

In the Budget committee meeting, Chairman Ernie Martin recommended an integration of Bills 2, 3 and 4. I agree that some necessary changes included in Bill 3— clarifications on reasonable visual access and a condition requirement—should be incorporated into any historic home exemption or tax credit. However, any changes to the ordinance must also:

1. Enforce "reasonable visual access" of historic homes

Hidden historic homes do not serve the public interest and should not be subsidized by taxpayers. Allowing people to stand in your driveway 12 days a year to gaze at your estate is an inadequate exchange for such a lucrative tax break. And it is an insult to compliant property owners whose homes are visible 365 days a year.

2. Enforce "material factor"

Revised Ordinances of Honolulu section 8-10.22(c) **Exemption--Historic residential real property dedicated for preservation** reads: "The director may take into consideration whether the current level of taxation is a *material factor* which threatens the continued existence of the historic property" [emphasis added]

My comprehensive review shows that the historic home property tax exemptions are being used to subsidize lifestyles of the rich and famous. Many wealthy and prominent individuals, as well as numerous non-Hawaii residents, real estate investors, vacation rentals, for-profit businesses, and foreign corporations are receiving these generous tax breaks.

Honolulu residents are being asked to pay higher fees and taxes for City services. The "material factor" merely requires that the owners of historic homes pay their fair share when they are financially able to do so.

3. Restrict "commercial activity"

The historic home exemption is a "residential" property dedication. Restrictions on the commercial activity at properties receiving the tax break are codified in the Administrative Rule & Regulations. Yet the City has never enforced these restrictions, instead allowing for-profit businesses and vacation rentals to operate in historic homes. This is a question of equity as other residential dedications are strictly enforced.

4. Ensure equity by implementing the same requirements as the "Real Property Tax Credit for Homeowners"

Testimony from owners emphasizes the cost of maintaining historic homes. To ensure the system is fair and equitable, these property owners should comply with requirements similar to those imposed on low-income applicants for the "Real Property Tax Credit for Homeowners."

- a. The property tax exemption/credit must be requested annually.
- b. The property owners must live in their historic home.
- c. The property owners must provide federal tax return transcripts to "certify that the current level of taxation is a material factor which threatens the continued existence of the historic residential property."
- d. The property owners must attest that "none of the titleholders owns any other real property anywhere".

The "Real Property Tax Credit for Homeowners" is the City's only form of tax relief and is implemented by the Treasury Division of the Dept of Budget and Fiscal Services. Standards for tax relief should be uniform; there shouldn't be preferential treatment based on classification of property.

In Conclusion

To the people of Honolulu, the historic home tax exemption is just one example of what is wrong with the system. The current historic home tax exemption is too generous, much-abused, and untenable. Material reforms must be enacted and enforced.

I support historic preservation but not at any cost. The owners of these properties must be willing to pay their fair share.

Sincerely,

Holly J. Huber
Public Advocate